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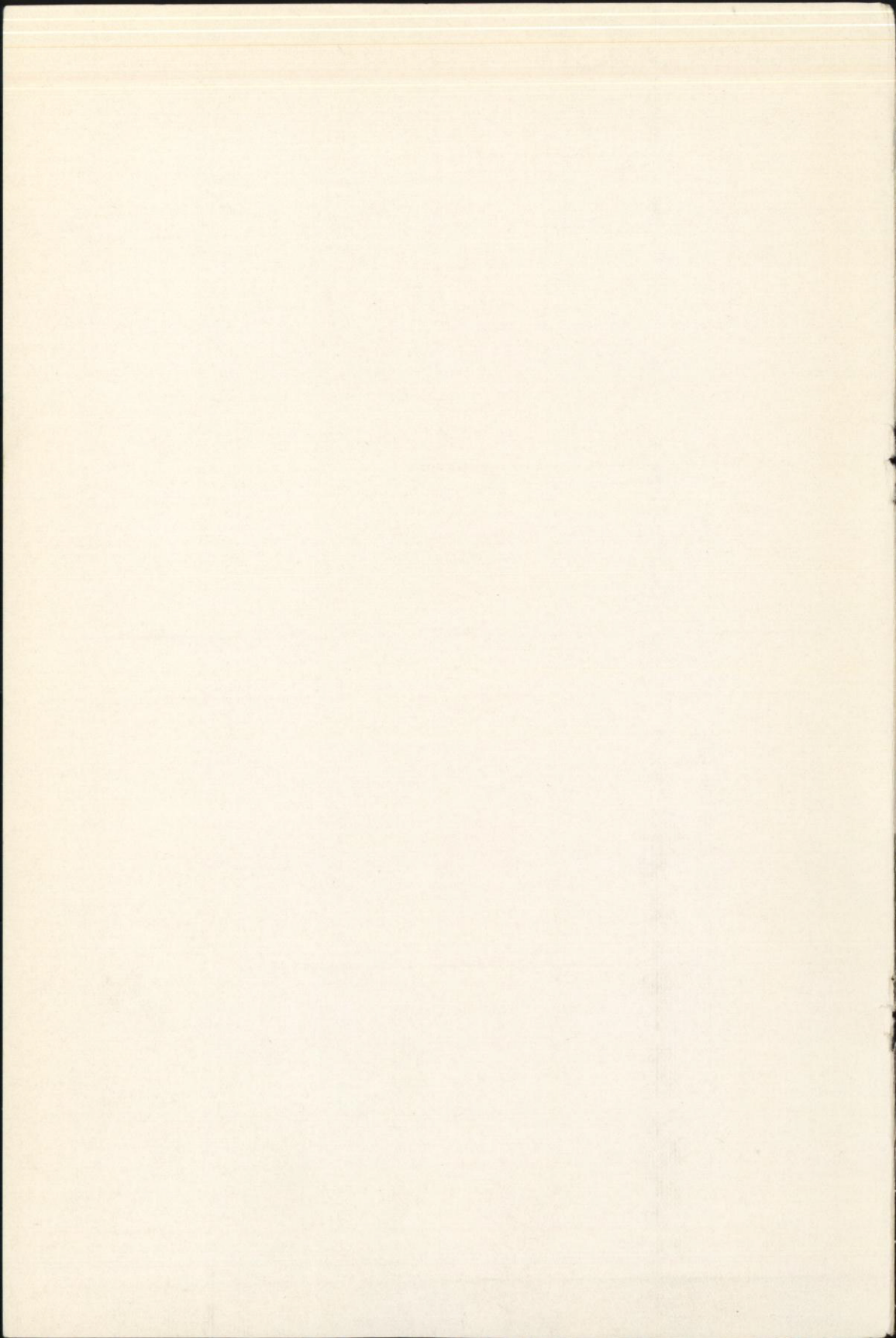
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Annual Report
1950



40th
Annual Report

**BALDWIN-LIMA-HAMILTON
CORPORATION**

PHILADELPHIA 42, PA.



EDDYSTONE DIVISION

LIMA-HAMILTON DIVISION

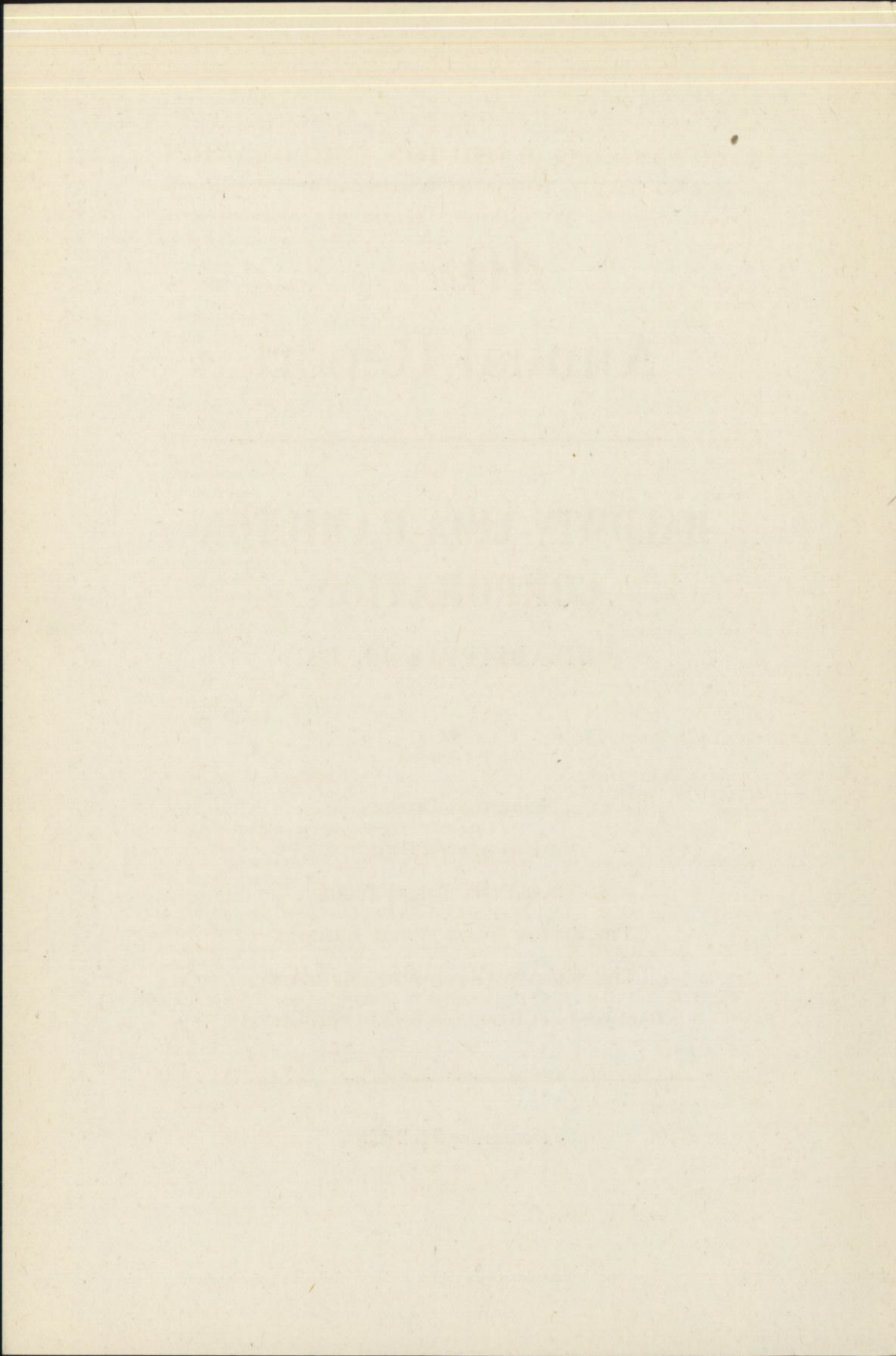
STANDARD STEEL WORKS DIVISION

THE PELTON WATER WHEEL COMPANY

THE WHITCOMB LOCOMOTIVE COMPANY

BALDWIN-LIMA-HAMILTON SALES CORPORATION

December 31, 1950



BALDWIN-LIMA-HAMILTON CORPORATION

Incorporated under the Laws of the Commonwealth of Pennsylvania

GENERAL OFFICES AT BALDWIN, EDDYSTONE, PENNSYLVANIA

DIRECTORS

CHARLES E. BRINLEY	Chestnut Hill, Pa.
HENRY B. BRYANS	Norristown, Pa.
A. A. BYERLEIN	Detroit, Mich.
H. E. COOMBE	Cincinnati, Ohio
JOSEPH N. EWING	Valley Forge, Pa.
GEORGE U. HARRIS	Tuxedo Park, N. Y.
EDWARD HOPKINSON, JR.	Chestnut Hill, Pa.
WM. CLARKE MASON	Chestnut Hill, Pa.
L. E. OSBORNE	Pittsburgh, Pa.
FREDERIC A. POTTS	Whitemarsh, Pa.
JEROME PRESTON	Boston, Mass.
GWILYM A. PRICE	Pittsburgh, Pa.
WILLIAM WOOD PRINCE	Chicago, Ill.
GEORGE A. RENTSCHLER	Cincinnati, Ohio
WALTER A. RENTSCHLER	Hamilton, Ohio
A. W. ROBERTSON	Pittsburgh, Pa.
J. J. ROWE	Cincinnati, Ohio
ROBERT C. SHIELDS	Detroit, Mich.
JAMES M. SKINNER	Philadelphia, Pa.
MARVIN W. SMITH	Overbrook, Pa.
HAROLD E. TALBOTT	New York, N. Y.

EXECUTIVE COMMITTEE

EDWARD HOPKINSON, JR., Chairman	WILLIAM WOOD PRINCE
CHARLES E. BRINLEY	GEORGE A. RENTSCHLER
JOSEPH N. EWING	MARVIN W. SMITH
GWILYM A. PRICE	

OFFICERS

GEORGE A. RENTSCHLER	Chairman of the Board
MARVIN W. SMITH	President
CHARLES E. ACKER	Vice-President—Corporate and Financial and Secretary
H. F. BARNHART	Vice-President—Lima-Hamilton Division
A. A. BYERLEIN	Vice-President—Lima-Hamilton Division
RAYMOND B. CREAN	Vice-President in Charge of Apparatus Sales— Eddystone Division
ROBERT F. DOOLITTLE	Vice-President—Legal Department
JOHN S. NEWTON	Vice-President in Charge of Engineering— Eddystone Division
WALTER A. RENTSCHLER	Vice-President in Charge of Lima-Hamilton Division
JOHN D. TYSON	Vice-President in Charge of Standard Steel Works Division
R. NEVIN WATT	Vice-President in Charge of District Office Sales
JAMES R. WEAVER	Vice-President in Charge of Manufacturing— Eddystone Division
C. T. ZIEGLER	Vice-President—Lima-Hamilton Division
CHARLES A. CAMPBELL	Assistant Vice-President—Export Sales
HOWARD D. HUMPHREYS	Treasurer and Assistant Secretary
W. RAYMOND PARSHALL	General Controller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

TRANSFER AGENTS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

IN CINCINNATI:

The Fifth Third Union Trust Company
Fourth and Walnut Streets

REGISTRARS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

The Pennsylvania Company for Banking and Trusts
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York
140 Broadway

IN CINCINNATI:

The Central Trust Company
Fourth and Vine Streets

To The Shareholders:

The year 1950 was one of major significance in the life of your corporation. For some time both The Baldwin Locomotive Works and Lima-Hamilton Corporation had been seeking to broaden the scope of their operations, to obtain greater diversification of their products, and more effectively to utilize facilities previously used for steam locomotive construction. During the year the two companies entered into an agreement under which Baldwin acquired, as of November 30, 1950, all the business and substantially all the assets of Lima-Hamilton Corporation. In exchange Baldwin issued approximately 1,900,000 shares of its common stock to Lima-Hamilton Corporation for distribution to Lima shareholders on a share for share basis on surrender of their shares.

Lima-Hamilton Corporation was formed by a consolidation, in 1947, of Lima Locomotive Works, Incorporated, and General Machinery Corporation, two well-established manufacturers in the heavy equipment field. With plants at Lima, Hamilton and Middletown, Ohio, Lima-Hamilton Corporation has been engaged in the manufacture of locomotives, earth-moving machinery, diesel engines, large and medium sized mechanical presses, industrial and railroad machine tools, steam marine engines, gas engines, Corliss engines, cane-milling machinery and can-making machinery. These products offer a sound supplement and diversification for the previously established Baldwin lines. As soon as practicable, and to the maximum extent possible under present conditions, the locomotive activity conducted at the Lima plant will be moved to the Baldwin Eddystone Division, thus providing much needed space at Lima for expanding the manufacture of power shovels and other products.

At a special meeting of the shareholders of The Baldwin Locomotive Works held on October 25, 1950, the necessary approval was given to the change in the Company's name to Baldwin-Lima-Hamilton Corporation, and to an increase in its authorized common stock from 3,000,000 shares to 5,000,000 shares.

A second step taken prior to the consummation of the agreement between Baldwin and Lima-Hamilton was the transfer to the newly formed Baldwin Securities Corporation of Baldwin's

investments in stock of The Midvale Company, General Steel Castings Corporation and the proceeds from the sale during 1950 of a portion of these investments and its former investment in Flannery Bolt Company. The capital stock of Baldwin Securities Corporation was then distributed as a dividend to shareholders of The Baldwin Locomotive Works of record as of the close of business on November 29, 1950, on the basis of one share of Securities Corporation stock for each share of Baldwin stock.

In furtherance of the diversification program, announcement was made in December of a plan to acquire all of the outstanding shares of common stock of Austin-Western Company of Aurora, Illinois, in exchange for 486,312 of yet unissued shares of Baldwin-Lima-Hamilton Corporation common stock. Austin-Western Company is a prominent manufacturer of construction equipment including hydraulic cranes, road graders, rock crushing equipment, road rollers, railroad dump cars and street sweepers. These products further supplement those now manufactured by your company, including products acquired from Lima-Hamilton Corporation. Although this plan is subject to the satisfactory determination of all necessary details, as of this time it appears that there are no unusual problems which might prevent its early consummation.

OPERATION AND PRODUCTION

Until March 1950 the Eddystone steam locomotive shops were partially occupied with the completion of an order for the Indian Government Railways but with the shipment of the last of these locomotives, operations in these shops were limited to the manufacture of spare parts for steam locomotives.

Reduction in the volume of orders placed for diesel electric motive power during the latter half of 1949 resulted in a curtailment of production in the Eddystone plant during the first half of 1950. However, early in the summer, domestic orders for diesel locomotives began to increase and the Company now has substantial orders for this type of equipment on its books. A similar increase in bookings has been experienced in most of our product lines. Shortages of material and government restrictions as to the procurement and use of materials, may, however, substantially influence the rate of production and the extent to which it will be possible to manufacture regular products for domestic or foreign orders.

In addition to the increase in normal business for non-military uses, the Company has obtained substantial government orders in connection with the rearmament program.

The year 1950 has been one of active engineering developments in all divisions of the Company.

A new line of diesel electric locomotives for domestic service was announced in June. The line consists of 8 standard models all of increased horsepower and tractive effort capacity. Included are 800 and 1200 h.p. yard switchers, a 1200 h.p. road switcher, 3 models of 1600 h.p. all-service units, a 2400 h.p. road transfer unit and a 1600 h.p. road freight unit. The all-service locomotive has proven to be particularly attractive since this type has characteristics that make it adaptable to road freight service and in addition it can be used in drag freight, pusher, transfer, and other general kinds of service.

Much progress has been made in improving the performance and reliability of all current types of diesel locomotives. Further development programs now planned and underway will be directed toward the continued improvement of existing lines of equipment. At the same time more basic and fundamental research and development programs are being conducted at both Eddystone and Hamilton in connection with diesel engines and other forms of motive power looking toward longer range improvements that may be applied to advanced locomotive designs of the future. Emphasis is being placed on individual development programs of this kind with the appreciation that in the long run the Company's future success is largely dependent on accomplishments along these lines.

Operations of the Testing Equipment Department continued at a high level in 1950. The year also saw a continuation of the steady engineering advancement which has been characteristic of this department over recent years. The standard line of testing machines was redesigned advantageously both from a cost and appearance standpoint and the program of utilizing, to the maximum, the potential of the SR-4 strain gage, particularly in the field of electronic devices, was vigorously pursued. Progressive engineering development continued on the many other types of machines which the Company builds in this field including those for tension-compression, fatigue and creep testing.

The Eddystone Division produced in 1950 a total of eleven hydraulic turbines having an aggregate capacity of 493,000 h.p. Most orders for this type of equipment require the construction of working scale models of the turbines and the testing of these models in the Company's hydraulic laboratory. Tests of this kind have been completed successfully on models of the hydraulic turbines now under construction for the Garrison Dam Project of the Corps of Engineers in Bismarck, N. D., and for the Ross Dam Project of the City of Seattle. These turbines will be among the largest in the world. Additional model tests unrelated to any specific contract are also continually in progress in an effort to broaden and improve the Company's line of turbines so that designs may be available to meet any conditions of head and water-flow for turbine equipment.

Lima-Hamilton Division enters 1951 with an increasing volume of orders for its products. The demand for earth-moving equipment in recent months has picked up considerably and its line of machinery for this field is now well rounded out. Orders on hand for stamping machinery are substantial although a decline in new business is anticipated since it appears evident that automobile production will be curtailed in the existing emergency. A heavy demand has developed in recent months for large machine tools such as are built in the Hamilton shops. Even heavier demands in this regard are anticipated. It is also expected that there will be military needs for diesel engines in the immediate future.

The Lima-Hamilton Division has now completed the engineering program for its line of can machinery which was undertaken after World War II. All types have been built and tested and a continuing steady volume of this business is anticipated. Development and research are being pressed vigorously on diesel engines of both large and medium sizes. Improvements in the development of a free piston gas turbine indicate promising possibilities for this type of equipment.

Production in the Standard Steel Works Division closely followed the overall Company pattern, with a sharp pickup in volume of orders and shipments beginning about the middle of the year. As a result of emphasis placed during the past few years upon diversification of product, this Division now supplies material used in practically every major industry in the country.

During 1950, equipment improvements costing over a half million dollars were made in the mill for producing wrought steel wheels and these changes have afforded a substantial increase in the efficiency and output of that department.

Operations of The Whitcomb Locomotive Company, a wholly-owned subsidiary located in Rochelle, Illinois, engaged in production of locomotives varying from the small electric mining type to diesel electric locomotives of approximately 90 tons of both standard and narrow gauges, continued at a reasonably high level throughout the year with satisfactory results. During 1950 Whitcomb produced several new designs of diesel electric motive power as well as a line of industrial switching locomotives up to 40 tons employing hydraulic transmissions.

The Pelton Water Wheel Company in San Francisco, likewise a wholly-owned subsidiary, engaged chiefly in the design and construction of hydraulic power equipment, experienced a year of satisfactory operations and produced turbines totalling 358,000 h.p. over a wide range of ratings up to 65,000 h.p. During 1950, it completed a five-year program under which its plant and manufacturing facilities have been substantially rehabilitated. A product diversification program has broadened the Company's participation in the hydraulic valve business and has also established it in the hydraulic turbine governor field. It has also opened a small plant in Los Angeles for the manufacture of hydraulic and mechanical surface pumping equipment for the oil industry.

Unfilled orders for the consolidated company at December 31, 1950, amounted to \$121,394,299, of which \$34,873,126 pertained to the Lima-Hamilton Division, as compared with \$50,361,584 at January 1, 1950, which did not include Lima-Hamilton.

Total net sales (billings) for the year 1950 were \$94,386,752 which includes sales of Lima-Hamilton Division for the month of December, compared with \$119,002,443 in 1949, which does not include any Lima-Hamilton sales. About 69% of net sales for 1950 were of locomotives and locomotive parts, steam and diesel, and about 80% of all locomotive sales were of the diesel type.

Profit for 1950 before taxes on income amounted to \$6,546,930 including Lima-Hamilton Division for the month of December, compared with \$5,852,223 for the year 1949, which does not include any Lima-Hamilton figures.

The amount transferred to surplus for the year, including a special credit of \$800,000 representing an unrequired provision for taxes on income of prior years, amounted to \$4,471,930 compared to \$3,522,223 for 1949.

* * * * *

The total number of employees of the consolidated company on December 31, 1950 was 14,032, of which 5,087 pertained to the Lima-Hamilton Division, as compared with 9,587 on January 1, 1950, not including Lima-Hamilton.

Total compensation paid to all employees in 1950 was \$27,905,577.

INDUSTRIAL RELATIONS AND PERSONNEL

Other than an authorized two-weeks' shutdown for vacations during the summer season, production was continued without interruption throughout the year with one minor exception which occurred in the Pattern Shop of the Eddystone Division involving a wage dispute that resulted in a two weeks' work stoppage in December. Agreements are now in effect with Unions representing substantially all the hourly rated employees of the Company, the majority of which contracts will expire late in 1951 or early in 1952.

Pursuant to approval of the Company's shareholders given at their Annual Meeting held May 4, 1950, pension plans covering hourly rated and supervisory personnel were made effective as of June 1, 1950, for employees of the Eddystone and Standard Steel Works Divisions. On October 1, 1950, similar pension plans were made available to employees of The Whitcomb Locomotive Company. Pension plans generally similar to those approved by the shareholders are in effect at the several plants of Lima-Hamilton Division.

As of November 30, 1950, Messrs. Francis Bradley, Lewis W. Metzger, Richard T. Nalle and Carlos F. Noyes resigned as directors of the Company. Messrs. Bradley, Metzger and Nalle continued in their respective positions with The Midvale Company. On the same date the election as directors of Baldwin-Lima-Hamilton Corporation of Messrs. A. A. Byerlein, H. E. Coombe, George U. Harris, Wm. Wood Prince, George A.

Rentschler, Walter A. Rentschler, John J. Rowe and Harold E. Talbott became effective. All of the new directors, with the exception of Mr. Talbott, were directors of Lima-Hamilton Corporation.

Mr. Charles E. Brinley resigned on November 30, 1950, as Chairman of the Board and was succeeded by Mr. George A. Rentschler. Mr. Brinley has continued to serve as a member of the Board.

Mr. Lewis W. Metzger, formerly Vice-President of the Company, resigned as of November 30, 1950, to devote all of his time to the position of Executive Vice-President of The Midvale Company.

PLANT AND EQUIPMENT

Capitalized expenditures for plant and equipment in 1950 were \$1,094,178 which was somewhat less than the provision for depreciation—\$1,326,452. Over half of the expenditure for capital improvements was made at Standard Steel Works Division.

Attention to maintenance has been given in all departments of the consolidated company to insure that all properties and equipment now in use are in good condition.

EARNINGS AND FINANCE

The consolidated results of the operations of Baldwin and its wholly-owned subsidiaries for the years 1950 and 1949 are summarized as follows:

	1950	1949
Sales	\$94,386,752	\$119,002,443
Profit before non-recurring profit on sale of investments, provision for income and other taxes, depreciation and interest expense.	8,655,623	8,424,354
Non-recurring profit on sale of investments	504,647	—
Taxes on income and other taxes..	4,152,407	3,625,992
Depreciation	1,326,452	1,275,411
Interest expense	9,481	728
Net profit for the year.....	3,671,930	3,522,223
Unrequired provision for taxes on income of prior years.....	800,000	—
Amount transferred to surplus....	4,471,930	3,522,223

The 1950 figures include operations of the Lima-Hamilton Division for the month of December 1950.

The net profit of \$3,671,930 and the special credit of \$800,000, a total of \$4,471,930, are equivalent to \$1.01 per share on the 4,274,002 shares of common stock outstanding on December 31, 1950, after deducting preferred stock dividends of \$163,029. The net profit for 1949 was equivalent to \$1.41 per common share on the 2,375,298 shares outstanding at the end of that year after deducting preferred stock dividends of the same amount.

Net current assets at December 31, 1950, amounted to \$60,168,264, compared to \$40,012,101 at the beginning of the year, the increase being approximately equal to the net current assets acquired from Lima-Hamilton Corporation as of November 30, 1950.

Consolidated inventories at December 31, 1950, amounted to \$52,554,104 of which \$21,050,265 was applicable to Lima-Hamilton Division, compared with \$33,676,829 at January 1, 1950, not including Lima-Hamilton inventories. A large part of the year-end inventory was represented by work in process on customers' orders. Inventories have been checked by count or weight wherever possible and in other cases by physical inspection and estimate. In the opinion of the Company's officers, inventories are conservatively valued as of December 31, 1950, through provision of reserves considered adequate for obsolescence or other deficiency.

Three cash dividends, each of 15 cents per share, were declared and paid to Common Shareholders, one being paid on April 29, one on July 31 and one on October 31, and a fourth cash dividend in the same amount was declared on December 14, payable January 10, 1951.

All of the outstanding shares, 77,633, of the \$30 par value 7% Cumulative Preferred Stock were called for redemption on September 1, 1950, at the call price of \$40 per share, a total of \$3,105,320. The regular 7% dividend at the rate of \$2.10 per share, in the total amount of \$163,029, was paid on the preferred stock during the period prior to its redemption.

The total amount of cash dividends declared and charged to surplus during the year on both Preferred and Common Shares, was \$1,873,014.

Provision for taxes amounted to \$4,152,407, including Social Security taxes of \$557,088 and taxes on income of \$2,875,000. Provision for all taxes (\$4,152,407 as above) was equal to \$.97 per share of the Company's common stock in contrast to the \$1.01 per share represented by the amount transferred to surplus for the year.

There are submitted herewith:

Consolidated Balance Sheet of Baldwin-Lima-Hamilton Corporation and Wholly Owned Subsidiaries, December 31, 1950 and 1949.

Consolidated Statement of Profit and Loss and Surplus For the Years ended December 31, 1950 and 1949.

Report of Auditors.

This report is submitted on behalf of the Board of Directors.

MARVIN W. SMITH
President.

GEORGE A. RENTSCHLER
Chairman of the Board.

March 7, 1951.

BALDWIN-LIMA-HAMILTON CORPORATION

Consolidated Balance Sheet,

ASSETS		
(What The Companies Own)		
	1950	1949
Cash	\$ 5,828,409	\$ 5,558,372
United States Government securities (at cost which approximates market) (Note 2)	3,056,386	6,060,181
Notes and accounts receivable (less reserve, 1950—\$202,145; 1949—\$102,276)	20,087,658	11,137,039
Inventories of raw materials, supplies, work in process and finished products (less reserve, 1950—\$1,917,996; 1949—\$1,538,986) (Note 3)	52,554,104	33,676,829
<i>Total Current Assets</i>	<u>\$ 81,526,557</u>	<u>\$56,432,421</u>
Receivables not due within one year	2,717,744	1,150,975
Renegotiation rebates receivable arising from additional amortization of war emergency facilities	301,160	64,082
Investments:		
General Steel Castings Corporation common stock (147,800 shares at cost less reserve, \$5,002,949)	—	141,001
The Midvale Company capital stock (383,425 shares at cost less capital distribution)	—	1,433,307
Other investments (less reserve, 1950 and 1949—\$26,135)	366,888	338,567
Property, plant and equipment (less reduction for wear of facilities—depreciation and amortization—1950—\$52,760,267; 1949—\$37,997,375)	35,161,934	26,968,531
Insurance premiums and other expenses paid but applicable to future years	248,756	138,862
	<u>\$120,323,039</u>	<u>\$86,667,746</u>

See notes to financial statements

AND WHOLLY OWNED SUBSIDIARIES

December 31, 1950 and 1949

LIABILITIES		
(What The Companies Owe)		
	1950	1949
Accounts payable	\$ 10,672,606	\$ 6,015,871
Dividend declared on common stock	641,100	593,824
Advances received on sales orders	2,594,599	4,713,551
Taxes on income	4,608,243	2,996,427
Other taxes, wages, salaries, commissions, etc.	2,841,745	2,100,647
<i>Total Current Liabilities</i>	<i>\$ 21,358,293</i>	<i>\$16,420,320</i>
Provision for probable future expenditures or losses:		
Operating reserves	\$ 1,266,022	\$ 1,028,601
General reserve	417,775	599,990
	<i>\$ 1,683,797</i>	<i>\$ 1,628,591</i>
STOCKHOLDERS' OWNERSHIP:		
Preferred stock, 7% cumulative, \$30 par (liquidating and call value \$40 per share):		
Authorized 125,251.2 shares		
Issued and outstanding 77,633 shares	—	\$ 2,328,990
(all redeemed September 1, 1950)		
Common stock, \$13 par:		
Authorized, 1950—5,000,000 shares		
1949—3,000,000 shares		
Issued and outstanding,		
1950—4,274,002 shares	\$ 55,562,026	
1949—2,375,298 shares		30,878,874
Surplus per annexed statement:		
Capital in excess of par value of capital stock	26,369,059	19,479,738
Earnings retained in the business	15,349,864	15,931,233
<i>Total Stockholders' Equity</i>	<i>\$ 97,280,949</i>	<i>\$68,618,835</i>
	<i>\$120,323,039</i>	<i>\$86,667,746</i>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

(1) As of November 30, 1950, the Company acquired all of the assets subject to the liabilities of Lima-Hamilton Corporation, except cash and accounts receivable aggregating \$1,101,840 which were retained by Lima-Hamilton Corporation to meet the claims of those of its stockholders who dissented from the sale of its assets, and to pay its expenses incident to the consummation of the transaction. Any portion of the aforementioned amount not required for such purposes will revert to the Company. At December 31, 1950, certificates for 41,504 shares of the Common Stock of Lima-Hamilton Corporation were held by persons who had so dissented. Up to February 14, 1951, certificates for 18,944 of such shares were surrendered for exchange for shares of Baldwin-Lima-Hamilton Corporation and \$500,000 was released to the Company under the aforementioned conditions.

The Consolidated statement of profit and loss includes the operations of the Lima-Hamilton Division (formerly Lima-Hamilton Corporation) for the month of December 1950.

(2) Includes \$60,000 principal amount of United States Treasury bonds deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania of compensation on account of accidents.

(3) Inventories of raw materials and bulk supplies are priced at the lower of average cost or replacement market. Miscellaneous materials and parts and sundry supplies (upon a first-in, first-out basis) and work in process and finished products (upon the basis of specific items) are priced at cost or less. A large part of the inventory at December 31, 1950, was covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency.

(4) The Federal income tax returns of the Company and its consolidated subsidiaries, except for applications for excess profits tax relief, have been closed through December 31, 1943, and the returns of certain of such subsidiaries for years subsequent to 1943. The returns of Companies whose liabilities were assumed as a result of the acquisition of the assets and business of Lima-Hamilton Corporation are closed through December 31, 1941, and the returns of certain of such Companies for years subsequent to 1941. The provision for taxes on income which is included in current liabilities is believed to be adequate to cover all liability for taxes on income.

Applications for excess profits tax relief under either Section 721 or Section 722 of the Internal Revenue Code have been filed by the Company, The Whitcomb Locomotive Company and Lima-Hamilton Corporation. The amounts, if any, which may be recovered under these claims cannot be determined at this time and no effect has been given thereto in the consolidated balance sheet.

(5) Non-contributory Pension Plans covering substantially all of the hourly rated employees of the Company and the hourly rated employees of certain of its subsidiaries have been made effective during the year 1950 or as of January 1, 1951. These plans follow a substantially similar pattern, in general providing pensions of \$100 per month, less social security benefits,

after either 25 or 30 years of service with proportionately smaller pensions for shorter service. Certain of the plans provide for funding of the past service cost over a period of not in excess of 30 years.

Salaried employees of the Lima-Hamilton Division continue to be covered by a contributory Pension Plan which was in effect prior to the acquisition of the assets and business of Lima-Hamilton Corporation. This plan provides for benefits at the rate of $\frac{1}{4}\%$ of the first \$3,000 per year, and 1% of the balance of the employees earnings for the period of credited service. To the extent that this plan provides for credit for past service, the cost has been funded. The Company put into effect in 1950, a non-contributory Pension Plan for its other salaried employees and for the salaried employees of certain of its subsidiaries. This plan provides for pensions, including social security benefits, equal to 1% of the employees average base salary for the ten years prior to retirement multiplied by the years of continuous service.

The Pension Plans for hourly rated employees were negotiated with the Unions which represent the respective groups of employees and are subject to the collective bargaining process. In each case they include provisions permitting the Company to continue the Plans without change for a period of approximately five years, none of which five year periods expires before 1955. The Pension Plans for salaried employees are terminable at the option of the Company.

The lump sum amount which would be required to be paid on account of the unfunded past service cost of these Pension Plans as of December 31, 1950, has been estimated to be approximately \$10,300,000. Based upon employment and payrolls at December 31, 1950 levels, upon certain assumptions as to retirement and other factors, and based also upon the funding of the past service cost on a 30 year basis, the total annual cost of meeting pensions under these plans is estimated at approximately \$1,085,000, of which approximately \$595,000 represents current cost, and \$490,000 represents past service cost. These amounts are furnished as information only as the Company is presently meeting the cost of pensions at other than its Lima-Hamilton Division on a "Pay-As-You-Go" basis.

(6) Incentive compensation for officers and other key employees, 149 in all, has been provided in the amount of \$217,880 for the year 1950.

(7) The Company is a party to a proceeding entitled JULES N. BLOCH, ET AL., Plaintiffs, vs. THE BALDWIN LOCOMOTIVE WORKS, Defendant, instituted October 31, 1950, in the Court of Common Pleas of Delaware County, Pennsylvania, No. 830, September Term, 1950. The Plaintiffs allege they are the owners of 6,565 shares of Common Stock of the Company, and seek to enjoin the Company from carrying out the Agreement and Plan of Reorganization between the Company and Lima-Hamilton Corporation, dated as of August 21, 1950, unless the Company pays to the Plaintiffs the fair value of their shares, or the proportionate part of the net assets of the Company represented by such shares in cash.

The Company filed Preliminary Objections to the Complaint. Following a hearing before the Court on November 17, 1950, the Court held that it had no jurisdiction to enjoin the Company from proceeding with the Agreement and Plan of Reorganization; overruled the Company's Preliminary Objections; and gave the Company leave to file an Answer to the Complaint on its merits. The Company filed its Answer on December 26, 1950, and the matter is now awaiting a further hearing before the Court.

BALDWIN-LIMA-HAMILTON CORPORATION AND WHOLLY OWNED SUBSIDIARIES

Consolidated Statement of Profit and Loss and Surplus For the Years Ended December 31, 1950 and 1949

PROFIT AND LOSS:	1950	1949
Sales	\$94,386,752	\$119,002,443
Less:		
Cost of sales, including selling, administrative and general expenses.....	\$87,643,959	\$112,237,222
Provision for depreciation.....	1,326,452	1,275,411
	\$88,970,411	\$113,512,633
Operating profit	\$ 5,416,341	\$ 5,489,810
Dividends received	64,038	58,205
Interest and discount income.....	325,876	263,687
Non-recurring profit on sale of investments.....	504,647	—
Miscellaneous income	262,249	70,615
	\$ 6,573,151	\$ 5,882,317
Deduct:		
Interest expense	\$ 9,481	\$ 728
Miscellaneous expenses	16,740	29,366
	\$ 26,221	\$ 30,094
Profit before taxes on income.....	\$ 6,546,930	\$ 5,852,223
Provision for taxes on income.....	2,875,000	2,330,000
Net profit for the year.....	\$ 3,671,930	\$ 3,522,223
Add: Unrequired provision for taxes on income of prior years.....	800,000	—
Amount transferred to surplus.....	\$ 4,471,930	\$ 3,522,223
EARNINGS RETAINED IN THE BUSINESS:		
Balance January 1.....	15,931,233	14,947,337
	\$20,403,163	\$ 18,469,560
Less:		
Cash dividends declared:		
On preferred stock.....	\$ 163,029	\$ 163,029
On common stock.....	1,709,985	2,375,298
	\$ 1,873,014	\$ 2,538,327
Dividend in shares of Baldwin Securities Corporation	2,403,955	—
Premium on preferred stock redeemed.....	776,330	—
	\$ 5,053,299	\$ 2,538,327
Balance, December 31.....	\$15,349,864	\$ 15,931,233
CAPITAL IN EXCESS OF PAR VALUE OF CAPITAL STOCK:		
Balance January 1.....	\$19,479,738	\$ 19,479,738
Excess of net assets acquired from Lima- Hamilton Corporation over par value of common stock issued in exchange therefor..	6,889,321	—
Balance December 31.....	\$26,369,059	\$ 19,479,738
Total Surplus, December 31.....	\$41,718,923	\$ 35,410,971

See notes to financial statements

REPORT OF AUDITORS

To The Shareholders,

BALDWIN-LIMA-HAMILTON CORPORATION:

We have examined the consolidated balance sheet of Baldwin-Lima-Hamilton Corporation and its wholly owned subsidiaries as of December 31, 1950, and the related consolidated statement of profit and loss and surplus for the year 1950. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and surplus present fairly the consolidated financial position of Baldwin-Lima-Hamilton Corporation and its wholly owned subsidiaries at December 31, 1950, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.

MARCH 1, 1951.

BALDWIN-LIMA-HAMILTON CORPORATION

R. NEVIN WATT – Vice-President in Charge of District Office Sales
EDDYSTONE, PENNSYLVANIA

SALES OFFICES IN THE UNITED STATES

CHICAGO 4, ILL.....	627 Railway Exchange Building
CLEVELAND 13, OHIO.....	2507 Terminal Tower Building
DALLAS 2, TEXAS.....	1805 N. Industrial Boulevard
DETROIT 2, MICHIGAN.....	425 Curtis Building
HOUSTON 2, TEXAS.....	1817 Second National Bank Building
MEMPHIS 3, TENNESSEE.....	79 McCall Street
MINNEAPOLIS 2, MINNESOTA.....	1120 Foshay Tower
NEW YORK 17, N. Y.....	60 E. 42nd Street
PITTSBURGH 19, PA.....	489 Union Trust Building
SAN FRANCISCO 10, CALIF.....	2929 Nineteenth Street
ST. LOUIS 3, MO.....	514 Shell Building
SEATTLE 66, WASHINGTON.....	1932 First Avenue, South
WASHINGTON 5, D. C.....	616 Tower Building

CHARLES A. CAMPBELL – Assistant Vice-President—Export Sales
EDDYSTONE, PENNSYLVANIA

The Company has sales agents or technical representatives
in most countries of the world.

DIVISIONS AND SUBSIDIARIES

EDDYSTONE DIVISION

JAMES R. WEAVER, Vice-President in Charge of Manufacturing
JOHN S. NEWTON, Vice-President in Charge of Engineering
RAYMOND B. CREAN, Vice-President in Charge of Apparatus Sales
WM. S. Y. HOWARD, Asst. Secretary and Asst. Treasurer
THOMAS E. MCFALLS, Asst. Secretary and Asst. Treasurer

LOCOMOTIVES

STEAM ELECTRIC DIESEL
STEAM BOILERS WELDED TANKS PLATE FABRICATION
ORDNANCE MATERIEL

DIESEL ENGINES FOR MARINE AND OTHER USES

WATER POWER TURBINES HYDRAULIC PRESS MACHINERY

TESTING MACHINES SPECIAL MACHINERY

POWER TOOLS BRONZE PROPELLER WHEELS

IRON, BRASS AND BRONZE CASTINGS

PARSON'S WHITE BRASS AND BABBITT METAL INGOTS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

LIMA-HAMILTON DIVISION

WALTER A. RENTSCHLER, Vice-President in Charge of
Lima-Hamilton Division

H. F. BARNHART, Vice-President

A. A. BYERLEIN, Vice-President

C. T. ZIEGLER, Vice-President

PERRY A. WHITE, Controller

J. R. CONNAUGHTON, Assistant Secretary

ORIN GREIWE, Assistant Secretary and Assistant Treasurer

J. W. LLEWELLYN, Assistant Secretary and Assistant Treasurer

POWER SHOVELS CRANES DRAG LINES
PULL SHOVELS

FORMING AND STAMPING PRESSES

INDUSTRIAL AND RAILROAD MACHINE TOOLS

HAMILTON DIESEL ENGINES CORLISS ENGINES

STEAM MARINE ENGINES GAS ENGINES

CANE MILLING MACHINERY

HAMILTON-KRUSE CAN MAKING MACHINERY

HEAVY FORGINGS AND CASTINGS

WELDMENTS STEAM BOILERS

PLANTS

LIMA, HAMILTON AND MIDDLETOWN, OHIO

STANDARD STEEL WORKS DIVISION

JOHN D. TYSON
Vice-President in Charge of Standard Steel Works Division

EDWIN W. THOMAS
Works Manager

CHARLES A. SHENBERGER
Sales Manager

CHARLES EDWARDS
Assistant Treasurer

STEEL FORGINGS STEEL CASTINGS STEEL TIRES
WROUGHT STEEL WHEELS STEEL SPRINGS
WELDLESS RINGS

PLANT
BURNHAM, MIFFLIN COUNTY
PENNSYLVANIA

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

MARVIN W. SMITH, President
CHARLES E. ACKER, Secretary and Treasurer

WILLIAM F. BOYLE
Vice-President and General Manager

C. GLENN CRAWFORD
Manager, Sales-Service

PAUL B. SCHROEDER
Assistant Secretary and Assistant Treasurer

WATER POWER TURBINES AND GOVERNORS
BUTTERFLY, SPHERICAL AND CONE VALVES
SURGE SUPPRESSORS AND WATER WORKS VALVES
HYDRAULIC AND MECHANICAL OIL WELL PUMPING JACKS
MARINE VALVES, STEERING GEAR, AIRCRAFT ARRESTING GEAR
AND ANCHOR WINDLASSES

PLANTS
SAN FRANCISCO AND LOS ANGELES, CALIFORNIA

THE WHITCOMB LOCOMOTIVE COMPANY

Incorporated under the Laws of the State of Delaware

OFFICERS

MARVIN W. SMITH, President

CHARLES E. ACKER, Secretary and Treasurer

CHARLES K. OLSON

Assistant Vice-President and General Manager

EMMERT P. STOVER

Assistant Secretary and Assistant Treasurer

LOCOMOTIVES

FOR

INDUSTRIAL AND RAILWAY SERVICES

PLANT

ROCHELLE, ILLINOIS

BALDWIN-LIMA-HAMILTON SALES CORPORATION

Incorporated under the Laws of the State of New York

OFFICERS

MARVIN W. SMITH, President

ROBERT F. DOOLITTLE, Vice-President

CHARLES E. ACKER, Secretary and Treasurer

DIESEL ENGINES

FOR MARINE AND OTHER USES



ILLUSTRATIONS

Opposite page—*Baldwin 3200-hp. diesel-electric road freight locomotive in service on the lines of the Baltimore & Ohio Railroad.*

Back cover—*Lima air-control crane, equipped with a 60-foot boom, laying 17½-ton pipe sections on the San Diego Aqueduct Project.*



